



THE CITY OF SAN DIEGO

M E M O R A N D U M

DATE: October 27, 2008

TO: Jay Goldstone, Chief Operating Officer & CFO
via Jim Barrett, Director of Public Utilities

FROM: Mike Bresnahan, Deputy Director, Water Customer Support Division
via Alex Ruiz, Assistant Water Department Director

SUBJECT: Fiscal Year 2008 Bid to Goal Status Report

Attached is Customer Support Division's Bid to Goal (BTG) results for Fiscal Year 2008. This report covers the second year of the 5-year BTG contract.

The Division is very proud of the positive results and overall success of the program in FY 2008. The Division achieved its budget objective with a reported savings of \$1.7M from the Bid. This is an increase from the FY 2007 results. The Division also achieved most of its Pay for Performance Goals and has substantially met the service level requirements as required in the Bid.

The Bid to Goal Program continues to bring positive results to the Division, the citizens and Water Department customers through cost containment, operational efficiency and excellent customer service.

A handwritten signature in black ink, appearing to read "Mike Bresnahan".

Mike Bresnahan

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Attachment

cc: Anna Danegger, Business Office Director



WATER CUSTOMER SUPPORT DIVISION

BID TO GOAL

FY2008 ANNUAL REPORT

This report covers the second year of the Water Department Customer Support Division's 5-year Bid-to-Goal contract. Information in this report will include the financial results; pay for performance results and the operational challenges and achievements of the Division in Fiscal Year 2008.

FINANCIAL RESULTS

The Customer Support Division's (CSD) FY2008 financial results; summarized below by expenditure category and by activity in Attachment 1 reflect an increase in savings from the previous year. These results indicate that CSD achieved savings of \$1,795,497 from the Bid, an increase of \$827,000 from the prior year. The reason for the large variance in financial results is covered in the non-personnel expense section of this report. The reported savings will be audited by the external auditor in FY 2009. Savings are summarized by expenditure category as follows:

FY 2008 Financial Results - Summary

	BID	FY2008 Expense	Variance
Personal Services	\$9,094,000.00	\$8,779,809.76	\$314,190.24
Fringe Benefits	\$4,785,000.00	\$4,986,510.11	(\$201,510.11)
Supplies and Services	\$5,237,971.00	\$5,309,152.90	(\$71,181.90)
Data Processing	\$1,949,000.00	\$1,367,177.39	\$581,822.61
Energy Resources/Utility	\$104,666.00	\$73,050.59	\$31,615.41
Outlay	\$26,106.00	\$7,522.48	\$18,583.52
Encumbrances Released	\$0	(\$117,506.85)	\$117,506.85
Contingency ¹	\$359,000.00	\$92,806.55	\$266,193.45
	\$21,555,743.00	\$20,498,522.93	\$1,057,220.07
Inflation - Adjusted			\$738,277
Total Savings ²			\$1,795,497.07

¹Contingency Fund of \$359,000 was partially expended in Fiscal Year 2008 to cover the unanticipated expenses associated with the production and distribution of the required Prop 218 notices. Per Bid (Section 3.6.1), the Divisional Contingency shall be treated as a Fixed Cost for computation of Additional Savings.

²Financial Results may change subject to post-closing adjustments.

Personnel Expense

The savings achieved by the Customer Support Division in the personal services and fringe benefits category can be attributed to the eight percent vacancy rate in FY 2008. The savings in this category is very close to the results of FY2007. Another contributing factor to personnel expense savings is reduced overtime costs. The total overtime expense for the division was \$148,254 which is thirty-five percent of the amount budgeted in the Bid. The division managed to keep the overtime rate down even with

staffing challenges due to high vacancies and reduction in employee availability due to injuries particularly in the Meter Services, Customer Services Office and Field Services and Investigations sections.

Non-Personnel Expense

The large variance in the financial results between FY 2008 and FY 2007 is due to the one-time, unanticipated expenditure in the Meter Services section in FY 2007. In FY 2007, over \$800,000 was expended in the supplies and services category specifically in the contractual services account to complete repairs and replacement of 548 backflow devices to be in compliance with the California Department of Health.

Inflation

The Bid provides for personnel expense (PE) to be inflated based on the actual rate of salary increases and the non-personnel expense (NPE) is to be adjusted based on the local Consumer Price Index (CPI). For FY 2008, the inflation increase for personnel expense is 4% and the increase for NPE was 3.4%. The inflation adjustment is considerably higher than FY 2007 where there was no inflation increase for PE and only a 2.6% inflation rate for NPE.

PAY FOR PERFORMANCE RESULTS

The goal of the Pay for Performance Awards is to improve operational performance by providing cash incentives to employees for achieving specified performance goals. The pay for performance goals were established prior to the beginning of the fiscal year by the employees of the individual sections.

The status of the sections' performance goals were monitored on a monthly basis through a report-out meeting. At this meeting, supervisors report on the results of their goal for the specified month and the group reviews each goal and the reasons for achievement or poor performance is explored.

The results of this fiscal year's pay for performance program were very similar to the results of the prior year. In Fiscal Year 2007, CSD reported that 13 of the 18 goals were met. The outside audit firm AKT agreed with the reported findings based on test samples that were performed to determine if supporting documentations exist to validate the status of the goals. In Fiscal Year 2008, 13 of the 18 goals were achieved. These results are subject to audit by the external auditor in FY 2009. A summary of the goals and results is provided in Attachment 2.

Highlights of this year's Pay for Performance Program are the development and implementation of training programs by the Customer Services Office and Field Services and Investigations sections. In addition, the Water Resources Management Section delivered 76 water conservation presentations/events to local schools and organizations as part of their public education and community outreach to promote water conservation.

SERVICE LEVEL REQUIREMENTS

The Mayor's Office has issued a tentative recommendation of Substantial Conformance pending the submission of additional clarifying information. The purpose of this memo was to notify the Mayor or his designee that in FY2008 the Customer Support Division has substantially met the service level requirements as defined in the Bid to Goal Program (Section 2.2.6).

OPERATIONAL ACHIEVEMENTS AND CHALLENGES

Water Resources Management

In 1985, the San Diego City Council officially established the City's Water Conservation Program to reduce San Diego's dependency upon imported water. Today, the Water Conservation Program directly accounts for over 28.8 million gallons per day (mgd) of potable water savings. Creating a water conservation ethic, adopting programs, policies and ordinances designed to promote water conservation practices, and implementing comprehensive public information and education campaigns have achieved this savings.

San Diego is located in a semi-arid coastal environment that averages only 9.3 inches of rainfall annually. San Diego imports most of its water by purchasing it from the San Diego County Water Authority (CWA) and the Metropolitan Water District (MWD) of Southern California. Only 10-20 percent of San Diego's water is of local origin, collected as runoff in the City's nine reservoirs. Due to two years of below average rainfall, limited snowpack, and the largest court-ordered water transfer restrictions in state history, in Fiscal Year (FY) 2008, Governor Arnold Schwarzenegger proclaimed a statewide drought and issued an Executive Order, which required immediate action to address a developing water shortage situation where numerous California communities are being forced to mandate water conservation or rationing. In line with the Governor's actions, Mayor Jerry Sanders recommended and the City Council approved implementation of a "Stage 1 –Voluntary Compliance- Water Watch."

To meet established goals and drought requirements, the Water Conservation Program continues to integrate existing programs while developing new programs, all focused on achieving the additional acre foot (AF) savings. The following includes, but is not limited to, the ongoing programs and initiatives implemented by the City of San Diego, by the City's Water Conservation Program

- Regional coordination of drought response and outreach
- Residential interior/exterior water surveys
- Residential toilet incentives
- Commercial Landscape Survey Program (CLSP)
- Commercial, Industrial, Institutional (CII) and Multi-Family Incentives
- Water Conservation Children's Poster Contest
- Water Conservation Garden on the Campus of Cuyamaca College
- California-Friendly Landscape Contest

- ShowerStart Pilot Project
- Instant Hot Water Recirculating Systems Pilot Project
- Public Education, Information and Community Outreach (Water Conservation staff members actively participate in community fairs or events, or as individual speakers to community groups, providing informational brochures on the various programs and promoting both simple and highly technical conservation measures. In Fiscal Year 2008, Water Conservation staff made 76 water conservation presentations. As an example, the City of San Diego Water Department has participated in EarthDay at Balboa Park since the 1990s. Typical attendance at EarthFair is upwards of 60,000.)
- Water Waste Investigations
- Water Conserving Municipal Codes
- Water Department's Internet-based Landscape Watering Calculator
- Regional Water Conservation Summit
- CIMIS (California Irrigation Management Information System) Stations
- Coordination with the City's Storm Water Pollution Prevention Program (Water conservation contributes more than just local water savings. Proper water conservation techniques assist the City's Storm Water Pollution Prevention Program. When excess irrigation water flows out of yards, it flows directly into storm drains. Everything that flows down into a storm drain goes untreated directly into canyons, creeks, bays, lagoons and ultimately the ocean. Irrigation runoff water carries pesticides, fertilizers, motor oil, pet waste and silt.)

The Water Conservation Program is currently focused on helping citizens save water in response to California's drought.

Administration

In Fiscal Year 2008, The Division completed technical, price and financial evaluations of Automated Meter Reading (AMR) technology for implementation in FY 2009, pending Mayor and City Council approval. AMR technology provides a variety of operational benefits. With water conservation more at the forefront, AMR would also serve as a tool for the Department and its customers to become more knowledgeable about water use and linking water-use activities to cost. Improvements in service include among others, a more proactive approach to alerting customers of water leaks, detecting unauthorized use and flagging billing exceptions, such as unusual or high consumption, thus handling field investigations more effectively.

The Administration section evaluated some of the existing work processes in the division and developed flow charts to find areas for improvement in the processes. As a result of this effort, improvements were made in the accounting approval process, large meter inventory process, small meter purchase and inventory process and the process by which Facilities Maintenance bills the Water Department for plumbing charges. In addition to improving the processes, clear documentation of how jobs are done were developed and may be used for training and communication purposes.

Customer Services Office

The Customer Services Office (CSO) continued to deliver the best possible service to customers. In FY 2008, CSO established a pay for performance goal that is focused on training. Enhanced commitment to training is one of the specific initiatives of the Bid. This comprehensive training curriculum developed and implemented by the supervisors was focused on Customer Service; Critical Tasks for Customer Service Representatives (CSRs) and Safety. The seven training sessions completed by CSO include:

- Creating Legendary Service
- Fire Safety
- Customer Information Systems (CIS) Back to Basics
- IPAY (new electronic payment software) and Customer Service
- CIS Water and Sewer Bill Calculations
- CIS High Opening/Closing Bill and Workflow Schedule
- Customer Service Office and Field training

Another positive change in the Customer Services Office is the implementation and transition to a new Electronic Bill Presentment and Payment (EBPP) program. This program offers customer more options to pay their water bills. In addition, the cost of this program is significantly less than the one it replaced. Significant cost savings will not be realized until FY 2009 due to onetime costs incurred from the transition. The number of EBPP program users has increased by 36% from FY 2007 to FY 2008.

This year's challenges included educating customers on a number of issues including several rate increases, the Shames settlement, and the return to bi-monthly billing. CSO also took in a total of 390,308 calls through the call center, a 14% increase in comparison to the previous year.

The new CIS Implementation project that was included in the CSO budget objective for FY 2008 has been moved for implementation beginning in FY 2010. This initiative included 4.0 positions totaling \$328,474. As a result, the CSO Bid has been reduced by same amount in FY 2008. Overall, this has no fiscal impact to the Customer Support Bid because the allocation for this project will be moved to FY 2010.

Field Services & Investigations

During FY 2008, Field Services and Investigations achieved the following productivity milestones:

- 1,563,167 Bi-monthly meter reads
- 114, 074 Monthly meter reads
- 3,113 Monthly confined space meter reads
- 17, 590 Water restorations
- 3,195 Office generated Investigations
- 653 Customer requested investigations
- 1,369 Sewer Classification investigations

In addition, FS&I worked with CSO and the Meter Shop to reduce estimated bills for 5 or more consecutive billing periods from 0.05% to 0.001% or less of total meter accounts; eliminated thousands of duplicate meter serial numbers; significantly reduced the delinquency rate for customer maintained backflow testing; reduced delays in completion time for customer requested investigations; develop detailed training modules for all work groups. FS&I also assisted the Recycled Water Group in making improvements to its regulations and permit process.

FS&I staff managed to achieve a high level of performance in spite of staffing shortages due to retirements, resignations, transfers/promotions and injuries.

Meter Services

Meter Services staff successfully investigated and conducted preventative maintenance on 1300 meter sites; reduced the number of duplicate meters in the distribution system to near zero; improved the integrity of the data submitted for three sections within the meter shop; improved the accuracy of the work orders completed; and expanded the preventative maintenance program to include 737 sites in the recycled water system. These significant achievements were accomplished even with staffing challenges due to unfilled vacancies and a reduction in employee availability due to injuries.

CONCLUSION

The second year of Bid to Goal implementation in Customer Support has been very positive for the organization. Highlights of this fiscal year include enhanced customer service, improved commitment to training, increased financial savings due to cost containment and the development and implementation of work process improvements for operational efficiency.

In Fiscal Year 2009, the Division will continue to focus on providing excellent customer service through enhanced training. The Division will also continue to improve operational efficiency by evaluating existing work processes and developing and implementing process improvements.

Attachments

1. Table 1.2 – Financial Results Summary
2. Pay for Performance Results Summary

Table 1.2 - FY 2008 Summary
Period 13 - Ending June 30, 2008 - 100% of the Year Completed
Budget Objective, Customer Support Division

Attachment 1

Functional Group or Remark	BID FY2008	In-Scope Expenditure	% of BID Expended	FY2008 Savings	Per Audit FY 2008 Savings	Change
Administration	1,603,906	1,648,186	102.8%	(44,280)	(41,341)	-2,939
Water Resources	2,166,230	1,942,918	89.7%	223,312	388,720	-165,408
Customer Service	6,569,958	6,089,306	92.7%	480,652	740,066	-259,414
Field Services & Inv	3,657,999	3,586,938	98.1%	71,061	(43,674)	114,735
Meter Services	7,198,650	7,138,368	99.2%	60,282	(216,479)	276,761
Division Contingency Fund* - budgeted in Administration Program	359,000	92,807	0	266,193	0	266,193
Inflation- Adjusted	738,277	-	-	738,277	140,744	-
Fixed Budget Objective	22,294,020	20,498,523	91.9%	1,795,497	968,036	827,461

Source: Simpler Financial Reports

	BID	ACTUAL	
Water Resources ⁽¹⁾	517,000	318,337	
Pay for Performance Fund ⁽²⁾	305,000	200,294	
Pass Through Budget Objective	822,000	518,632	63.1%
TOTAL BID BUDGET OBJECTIVE	23,116,020	21,017,155	90.9%

Pass Through Itemization	BID	ACTUAL
(1)Water Resources	517,000	
Plumbing Fixtures		318,337
Pipe, Fittings, etc.		-
(2)Division Administration		
Pay for Performance Fund	305,000	200,294
		-

*The Division contingency fund was used to cover the unanticipated expenses associated with the production and distribution of the required Prop 218 notices. The Division contingency may be used to compensate for unanticipated in-scope expenses per Bid (Section 3.6.1).

*Financial results may change subject to post-closing adjustments.

**Customer Support Division
Pay for Performance Goals
Annual Report - FY 2008**

Attachment 2

	GOAL	Actual	Achieved PFP Goal
Division Administration			
1 Complete the BTG Annual Financial Reports On Time.	100%	100%	yes
2 Complete All Elements of the BTG Communications Plan:			yes
a Publish Quarterly Division Newsletters	4/yr	4	
b Hold Quarterly All-Hands Meetings	4/yr	4	
c Publish 6 Performance Posters	6/yr	6	
3 Respond to 95% of Customer Complaints ≤ 15 Business Days.	95%	95.96%	yes
Customer Service - Office			
1 Complete 90% of Customer-Requested Investigations, Including Notification to Customer, ≤ 15 Business Days.	90%	86.3%	no
2 Develop and Implement a Comprehensive Training Curriculum for Customer Service Staff. The focus will be on: Customer Service, Critical Tasks for CSRs and Safety. Pre-test and post-test included.	6 training sessions	7	yes
3 Have Call Center and Water Repair Staff Available	75%	78.5%	yes
4 Process 95% of Mail Remittances in the Same Business Day.	95%	94.4%	no
Field Services & Investigations			
1 Reduce Number of Skips Recorded in FY 2007 by 10% for Domestic Meters as Percentage of Total Meters.	10%	15%	yes
2 Develop and Implement Comprehensive Training Curriculum Modules for Staff Approved by the Customer Support Appointing Authority. A pre-test and course completion test will be given to training students.	5 training modules	5	yes
3 Average Number of Investigations Completed in Sewer Classification per Senior Engineering Aide (SEA) per Month	110 per SEA	83.4	no
4 Complete 90% of Customer-Requested Investigations, Including Notification to Customer, ≤ 15 Business Days.	90%	86.3%	no
Meter Services			
1 Percentage of All Unique Commercial Water Meters to Meet Performance Specifications on Annual Test	90%	89.6%	yes
2 Test All Unique City Maintained Backflows to Meet Performance Specifications on Annual Test	99%	101.4%	yes
3 Ensure Accuracy Between Field Conditions and CIS/SWIM/IOS on Work Orders that Have a Direct Effect on Billing Issues	99%	99.5%	yes
Water Resources Management			
1 Increase Quantifiable New Water Savings per Year.	1285 AF	793AF	no
2 Complete 48 Water Conservation Presentations to Local Schools and Other Organizations, Including Administration of Feedback Survey.	48	76	yes
3 Conduct 17 Media Outreach Efforts which Include Print, Television, Internet, and Radio.	17	17	yes
4 Complete a DRAFT Drought Preparedness Guide.	1	1	yes